

**PUBLIC DISCLOSURE**

JUNE 15, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BILLERICA MUNICIPAL EMPLOYEE CREDIT UNION**

365 BOSTON ROAD  
BILLERICA, MA 01821

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Billerica Municipal Employees Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Net Loan to Share ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Two geographical criteria were not considered as the institution defines membership by affiliation rather than location.

The Credit Union's lending activity has maintained a steady level during the current examination period. Also, the Credit Union's average loan to share ratio of 30.3 percent for the current examination is consistent with previous and historic performance levels and is afforded a rating of satisfactory performance in this category.

Lending to Borrowers of Different Incomes was satisfactory due to reasonable percentages of loans granted to low and moderate-income members.

The Credit Union has adequately addressed the fair lending guidelines set forth in the Division's Regulatory Bulletin 2.3-101. The Credit Union meets the standards for satisfactory performance in this category.

## PERFORMANCE CONTEXT

### Description of Institution

Billerica Municipal Employees Credit Union was chartered by the Commonwealth of Massachusetts in October 1971. The Credit Union's membership is comprised of all municipal employees and retirees of the Town of Billerica and their families. Current membership is 1,463. The employee base of the town is approximately 1,500. The Credit Union estimates a potential membership base of approximately 3000. The Credit Union operates from one location at Billerica's town hall which is located at 365 Boston Road in Billerica.

On March 31, 2005, Billerica Municipal Employees Credit Union had total assets of \$13.3 million. Approximately 24.9% of total assets were in the form of loans or a total of \$3.3 million. The Credit Union offers a range of loan products, including mortgages, new and used automobile loans, secured and unsecured personal loans, lines of credit and other consumer loan products.

Billerica Municipal Employees Credit Union also offers low cost checking and savings products to its members and potential members. The Credit Union also offers a quarterly news letter called the "Quarterly Byline" which informs members of rates and privacy updates.

The following chart illustrates the composition of the loan portfolio as of March 31, 2005

#### Loan Portfolio Composition

<b>Loan Type</b>	<b>(\$)</b>	<b>%</b>	<b>(#)</b>	<b>(%)</b>
Residential Mortgages	1,415,563	42.4%	16	4.3%
Used Vehicle Loan	739,319	22.1%	99	26.4%
Unsecured Lines/Loans	710,090	21.3%	215	57.3%
New Vehicle Loans	259,864	7.8%	20	5.3%
Other Lines/Loans	214,205	6.4%	25	6.7%
<b>Total Gross Loans</b>	<b>3,339,041</b>	<b>100.00%</b>	<b>375</b>	<b>100.00%</b>

Source: NCUA Report of Conditions

As indicated above, the primary loan activity centers around unsecured loans and used vehicle loans which represent, by number, 57.7 percent and 26.4 percent of the loan portfolio respectively. Residential mortgages represent the largest dollar portion of the portfolio at 42.4 percent; however, they only represent 4.3 percent of the number of loans within the portfolio. For calendar years 2003 and 2004, the Credit Union originated 489 loans of which only 4 were residential mortgages. The rest of the originations were proportionate to the portfolio makeup with the primary activity centered on unsecured and used vehicle loans.

## PERFORMANCE CONTEXT

### Description of Assessment Area

According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. Billerica Municipal Employees Credit Union has defined its assessment area in this manner.

#### 1. Net Loan to Share Analysis

An analysis of net loan-to-share ratio was performed using National Credit Union Administration ("NCUA") quarterly call reports from June 30, 2003 through March 31, 2005. This analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its membership. For the period reviewed, the Credit Union's net loan-to-share ratio has averaged 30.3 percent. The ratio has fluctuated from a low of 27.7 percent on June 30, 2004 to a high of 32.8 percent on September 31, 2003.

The following graph illustrates the net loan-to-share trends for the period under review.

<b>Billerica Municipal Employees Credit Union</b> <b>Net Loan-To-Share Ratio</b> June 30, 2003 through March 31, 2005	
June 2003	30.7%
September 2003	32.8%
December 2003	31.7%
March 2004	29.3%
June 2004	27.7%
September 2004	30.8%
December 2004	29.4%
March 2005	30.4%

The asset size of the institution has fluctuated moderately for the same time period. Asset size has ranged from a low of \$12.2 million as of September 2003, to a high of \$13.4 million as of June 2004. The current level, as of March 31, 2005 is approximately \$13.3 million. Loan growth has also fluctuated moderately with a steady decline in the size of the portfolio from June 2003 level of \$3.3 million to June 2004 level of \$3.1 million. From the June 2003 level, loans have risen to the current level of \$3.3 million. Fluctuations in the loan portfolio result from market conditions relating to auto loan rates offered through dealer incentives and other local competition. The fluctuation in asset size and ratios can be partly attributed to the work schedule of a significant portion of the Credit Union's membership. The Credit Union's membership includes teaching personnel whose work schedules begin in September and end in June. This results in a substantial withdrawal of cash deposits during the third quarter of each calendar year resulting in an adverse effect on net loan to share and asset ratios.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **2. Comparison of Credit Extended Inside and Outside of the Assessment Area(s)**

Under the CRA regulations a credit union whose by-laws are not based on residence may define its assessment area as its membership. Because a membership defined assessment area does not consider any fixed limits based on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

### **3. Distribution of Credit Among Different Income Levels**

An analysis of Billerica Municipal Employees Credit Union's residential mortgage loan originations and a sample of originated consumer loans for the period January 1, 2003, through December 31, 2004, were conducted to determine the distribution of credit based upon the income levels of borrowers. All of the originations were assumed to be within the Lowell Metropolitan Statistical Area ("MSA"). The estimated 2003 and 2004 median family incomes for the Lowell MSA are 79,700 and 76,300 respectively. These income figures are based on estimated data from the Department of Housing and Urban Development ("HUD").

Low income is defined by the U.S. Census Bureau as income below 50% of the median family income level for the MSA. Moderate income is defined as income between 50% to 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median family income level for the MSA. Upper income is defined as income greater than 120% of the median family income level for the MSA.

Billerica Municipal Employees Credit Union originated a total of 4 residential mortgage loans from January 1, 2003 through December 31, 2004. All were in calendar year 2003. The Credit Union is not subject to reporting under the Home Mortgage Disclosure Act ("HMDA") because of its asset size. The number of mortgage originations is small; therefore meaningful analysis and conclusions can not be drawn. However, for informational purposes, of the four mortgage originations, two were to moderate-income borrowers and two were to middle-income borrowers.

A sample of consumer loans originated in 2003 and 2004 was also reviewed. This sample included a mixture of 42 loans, comprised of automobile and secured/unsecured personal loans approved during this period. According to this analysis, the Credit Union granted 76.2% of the number and 76.2% of the dollar amount of its consumer loans to low and moderate income borrowers.

## PERFORMANCE CONTEXT (CONTINUED)

Refer to the following tables:

### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER**

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	#	%	#	%	#	%
<50%	7	33.3%	3	14.3%	10	23.8%
50% - 79%	11	52.4 %	11	52.4%	22	52.4%
80% - 119%	2	9.5%	6	28.5%	8	19.0%
120% >	1	4.8%	1	4.8%	2	4.8%
<b>TOTAL</b>	<b>21</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>

Source: Credit Union Loan Files

### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	67,572	40.7%	45,804	23.4%	113,376	31.3%
50% - 79%	78,611	47.3%	83,690	36.8%	162,301	44.9%
80% - 119%	12,362	7.5%	49,686	25.3%	62,048	17.1%
120% >	7,500	4.5%	16,600	8.4%	24,100	6.7%
<b>TOTAL</b>	<b>166,045</b>	<b>100</b>	<b>195,780</b>	<b>100</b>	<b>361,825</b>	<b>100</b>

Source: Credit Union Loan Files

Overall, it appears that the institution is lending to members of all income levels. However, it is important to note, that the majority of consumer loans are granted to individuals rather than joint borrowers. The above analysis is based upon the median family income levels of the MSA which may not correlate to the individual income levels of the Credit Union's members. Based upon the analysis of consumer loans by borrower income, the Credit Union meets the standards for satisfactory performance in providing credit to members of all income levels.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **4. Geographic Distribution of Loans**

A Credit Union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. Since Billerica Municipal Employees Credit Union has defined its assessment area as its membership, an evaluation of credit extended within the geographic area was not conducted; as such an analysis would not be meaningful.

### **5. Review of Complaints and Fair Lending Policies and Practices**

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

The Credit Union's small size and resources limit the extent to which it can address the requirements of the Division's Regulatory Bulletin 2.3-101. Credit products are limited due to the institution's size. Outreach and marketing activities take place by management of the Credit Union. The Credit Union provides brochures in its main office and also produces a quarterly newsletter in order to inform members of products and services offered. The Credit Union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are reviewed by the Credit Committee prior to issuing a written notice of denial.

The criteria for the various types of credit offered was reviewed during the examination, as well as the procedures for completing a loan application, and no practices intended to discourage applications were found. Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (365 Boston Road, Billerica, MA 01821)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.